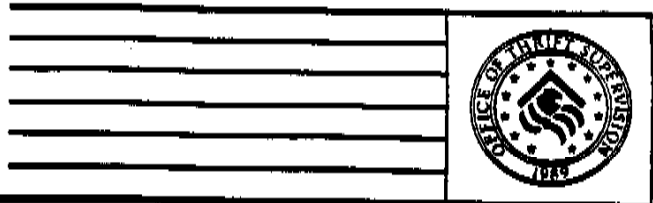


Department of the Treasury
Office of Thrift Supervision

Transmittal



December 8, 1994

Number: 122

Attached is a proposed regulation that would amend OTS rules on capital distributions. The proposal conforms the rule to the prompt corrective action (PCA) system established by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Under the proposal, those institutions that have CAMEL ratings of 1 or 2 and are not controlled by a holding company would no longer be required to notify OTS before making capital distributions.

Most other savings associations could make capital distributions upon giving notice to OTS provided that, following the distribution, the association would remain at least adequately capitalized as defined by the PCA system.

Undercapitalized or troubled institutions could apply to OTS, and subject to strict conditions, could be granted approval to make capital distributions consistent with safe and sound operation.

OTS is specifically requesting comment on two questions:

- Should a notice requirement continue to apply to CAMEL 1- and 2-rated institutions?
- Should a notice be required, regardless of an institution's CAMEL rating, if a distribution would cause the institution to fall below the "well capitalized" benchmark, or if a distribution exceeds certain pre-set limits?

The notice of proposed rulemaking was published in the December 5, 1994, edition of the *Federal Register*, Vol. 59, No. 232, pp. 62356-62359. Written comments must be received on or before February 3, 1995, and should be addressed to: Director, Information Services Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552.

Jonathan L. Flechter
Acting Director
Office of Thrift Supervision

Attachment